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WHAT OUGHT THE TARIFF RATES TO BE ON PAPER AND PULP?¹

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The Republican platform promises revision on the basis of "such duties as will equal the difference between the cost of production at home and abroad, together with a reasonable profit to American industries." The paper industry is quite satisfied with this principle, and it asks for itself only the same application that is accorded to other industries.

Importations of paper and pulp during the past few years should be considered and if there were some kinds extensively imported that are, or might be, made in this country the corresponding duties should be increased, not for the sake of the manufacturer but to build up the country. Also articles made from paper should be so protected as to create a maximum demand for home-made paper. No duty should be lowered simply for the sake of increasing revenue, as the first and foremost object of the tariff is to build up the staple industries of the country by conserving the home market. Let revenue come from luxuries and from articles which cannot be made here.

We ask only enough protection to enable us to meet such conditions imposed on our industry by nature or law as we cannot overcome by capital, energy and brains. We want merely a duty that will make it unremunerative for foreign manufacturers to sell in this country at our rock-bottom prices. We want the existing business and we want the increment that is bound to come with the further development of the country, but we are not averse to the duties being so low that some inconsiderable quantity of paper may come into this market, believing as we do that the stimulus of potential foreign competition is not a bad thing for the industry, and that high duties invite criticism and attack.

In fact, we believe that when business is good and the demand

¹ While the following article is an expression of the writer's individual views, he believes it fairly represents the prevailing opinion held by paper and pulp manufacturers.

is equal to the supply, the tariff has little or no direct influence upon prices, and that its chief function is, during times of depression, to prevent outside supplies coming into a market already congested. Then it is that every ton of paper or pulp imported increases our unemployed labor and capital. There is now coming into this country a large quantity of Canadian pulp and paper. There are shipments also from Germany, Norway, and elsewhere, although many of our paper and pulp mills are shut down from lack of orders.

When consumption falls off, the manufacturer must curtail production, which increases the cost. This increase he cannot overcome without reducing wages. At such a time he can ill afford to compete with foreigners for the scanty home demand. It would certainly tend to revive business to have a maximum tariff to apply in bad times and a minimum for good times; to exclude importations when we can make more than we can use; to admit them when we cannot.

Pulp, paper, and manufactures of paper are covered in the Dingley tariff by Schedule M, which is the result of gradual growth and is not laid out on any systematic plan. It is a question, however, whether it is worth while to destroy the continuity of growth by any rearrangement on more logical lines. This is a matter that those charged with revision will have to consider in connection with the tariff as a whole.

The duties on paper are substantially the same as they were both under the so-called "Wilson revenue" act and under the avowedly high-protection McKinley act, and are, on the whole, very much lower than the general average. The duty on ground wood pulp, reduced to an ad valorem basis, amounts to from 8 to 13%, according to market prices; on chemical pulp, about the same; on news paper it amounts to about 15%; on book paper to from 15 to 20%, according to grade; on writing paper it varies according to weight and quality from 25 to 32%. A few high grade papers and specialties have higher duties, but the average duty, reduced to an ad valorem basis, on all imports of paper during the year ended June 30th, 1907, was only 27.63%, whereas for all merchandise it was over 40%.

The total value of paper and manufactures of paper imported increased from \$2,838,738 in 1898 to \$10,727,885 in 1907; and of pulp from \$601,642 to \$6,348,857. It is certain that with higher

duties much of this paper and pulp could have been displaced by domestic product. This is particularly true of pulp.

Some European countries make various grades of paper requiring great skill and experience and the application of much labor, the manufacture of which could doubtless be established in this country by means of higher duties. However, it may come about that these papers will be made here without additional protection in the natural evolution of the industry, which, like many others, started with the lower grades but has been working up to the higher grades most promisingly.

Capital is turned over in the manufacture of paper more slowly than in most industries, which means that the profit on the output ought to be correspondingly larger to make a fair return. This would entitle paper to higher duties than other commodities rather than lower, if the attempt is to be made to protect a "reasonable profit." This important fact, we believe, has been entirely overlooked in the past.

While the industry has grown enormously, as a whole it has never been extremely profitable, competition frequently having been so fierce as to be destructive. Even before the prevailing depression most branches of the business had reached an acute state of unprofitableness, and it is safe to say that the lowering of tariff rates, extending as it would the scope of competitive production, would prove very disastrous.

Capital employed in the paper business has been frightened by the attacks which have been made upon it under the leadership of some of the newspaper publishers, and the Republican party, if it remains in power, should deal with the revision of the paper schedules in a liberal and reassuring manner. The opportunities for further development in this country have by no means been exhausted, but progress is certain to be retarded by hostility manifested in any manner, particularly through legislation.

The proposition to reduce or repeal the duty on pulp has no more merit than the similar proposition in reference to paper. The fact is ignored that pulpwood is on the free list. We do not need to import both pulp and pulpwood. It is certainly better for the country to have the latter imported and manufactured here into pulp. The pulp industry is in itself an important one, the amount of pulp made to sell amounting in value to many millions of dollars a year.

Pulp is therefore far from being a raw material and it would be manifestly a discrimination against pulp manufacturers to deny them the same kind and degree of protection accorded to other industries. Moreover, pulp-making is a most important part of the process of paper-making where the two processes are combined in one plant, as in the majority of cases. It requires proportionately as much capital and labor as the after-process of converting the pulp into paper. It would be extremely illogical to cut the process of paper-making in two in the middle and provide less protection for one half than for the other.

The Republican platform proposes minimum and maximum schedules, the latter being intended "to meet discriminations by foreign countries against American goods entering their market." This feature of the tariff would not be available in case Canada should continue or extend her discrimination against this country in connection with the exporting of pulpwood. Therefore it would be safer to frame the paper and pulp schedule with the particular end in view of meeting Canadian efforts to transplant the industry from the United States to its own borders.

We would like to see in our tariff an "anti-dumping" provision such as Canada has, which practically makes it impossible for foreign manufacturers to sell their surplus in her market at lower prices than those prevailing at home; and the countervailing or retaliatory clause which is now a feature of our paper and pulp schedules, providing an increase in duties corresponding to discriminations by foreign countries in restricting pulp and pulpwood exportation, should certainly be modified to render impossible certain evasions which now are practiced.

In marked contrast with the Republican program, the Democratic platform singles out the paper industry for attack in this plank:

Existing duties have given to the manufacturers of paper a shelter behind which they have organized combinations to raise the price of pulp and paper, thus imposing a tax upon the spread of knowledge.

We demand the immediate repeal of the tariff on wood pulp, print paper, lumber, timber and logs, and that these articles be placed upon the free list.

It is well known that this plank originated with certain newspaper publishers who tried to get Congress last winter without investigation to place paper and pulp on the free list. Having failed

in that attempt, and having received no encouragement from the Congressional Investigating Committee, they nevertheless tried to get an endorsement of their proposition in the Republican platform, but without success. They have shifted the grounds a number of times on which they based their plea for free paper and free pulp. Among the reasons they have advanced are that putting these articles on the free list will prevent the destruction of our forests; that there is a monopoly of production in this country; that there are combinations in restraint of trade, resulting in extortion, and that the alleged high price of paper is a "tax upon intelligence." Their aim is to keep down the price of newsprint paper, irrespective of the welfare of the paper industry, or of the importance of this industry to the country in the development of its natural resources, in the employment of capital and labor, in the support of allied industries, and in the traffic it affords to transportation companies.

It would be impracticable to admit print paper and wood pulp free of duty without disturbing the whole industry. Wood pulp is the chief ingredient of half the paper made in this country and is used to some extent in almost every grade. In 1850 the value of the total output of paper in the United States was about \$10,000,000; in 1905 the value of the output of the paper and pulp mills was \$188,715,000. This rapid growth has been maintained up to the close of 1907. The output for that year must have reached \$225,000,000.

It would seem to be the utmost folly to tamper with any policy or conditions precedent to such results. It is no less the function of a protective tariff to maintain and promote the growth of industries than it is to set them upon their feet. This industry that appeared full-grown in 1895 has almost doubled in size since then. How different would have been the result in tangible gain to the country if, when the Dingley tariff was framed, the argument had prevailed that the industry no longer needed protection and we had thrown our market open to the world. Mature as the industry then appeared, it was, in fact, infantile in size and methods compared with its condition today. Under wise guidance the industry can and will maintain this rapid rate of growth and improvement in methods for a long period to come, if protection is not withdrawn. For example: In the South are abundant water-powers and ample supplies of suitable wood, to say nothing of the annual waste

of hundreds of thousands of tons of materials, such as cotton-stalks and seed-hulls and, in various sections of the country, flax and other fibrous plants.

Besides upwards of 4,000,000 tons of annual product, the paper mills furnish freight in the way of raw materials, supplies, etc., to the common carriers of the country, roughly estimated at four tons for every ton of product, or 20,000,000 tons of freight annually. They consume annually not less than 3,000,000 tons of domestic coal and sustain a large number of establishments which manufacture wholly or to a large extent machinery and supplies used only in paper mills. They furnish employment directly to nearly 100,000 operatives in the manufacturing plants, and to probably 50,000 in the woods, besides indirectly supporting the labor entering into the manufacture of the machinery and supplies which they purchase. It has been estimated that for every dollar which the consumer pays for paper, seventy cents goes into the common wage-fund of the country. Paper manufacturers in many sections of the country have been the pioneers, stimulating the building of railroads to new points, building up thriving villages, and even cities, and utilizing water powers that had previously gone to waste, for which there might not be any other demand for years to come. In 1905, 43% of all the water power developed in the United States was used by paper and pulp mills.

The industry furnishes one of the most valuable uses to which certain kinds of wood may be put. Timber that has a value on the stump of, say \$4, by the application of American labor and the use of American materials is converted into a product worth from \$40 to \$100, according to the kind of paper for which it is used. All these facts, and many more which might be adduced, serve to demonstrate the seriousness of taking a step that would surely check the growth of the industry, if not partially ruin it.

We have as our neighbor on the north a country which has at least equal natural advantages for making some kinds of paper, where without question the industry would have reached much larger proportions but for the fact that our duty upon paper and pulp has given to the United States manufacturer a slight advantage in supplying our market. The result is we have not only an abundant supply, but the industry as well.

Has the effect been to increase the price of paper in the United

States? On the contrary, the price has, with slight fluctuations, gone steadily downward. Better news paper, for example, is furnished to-day at $2\frac{1}{4}$ cents per pound than was furnished twenty-five years ago for from 6 to 8 cents. The cheapening of paper has in turn increased the demand enormously, but the increase in the capacity of our mills has never failed to keep pace with the requirements of publishers and other consumers. The normal condition, in fact, has been one of over-production.

Being assured by the existence of the tariff that the natural increase in demand in this rapidly-growing country would inure to the benefit of domestic manufacturers, capital has been readily available. Only in a country where practically an unlimited demand for its product was assured could the scale of manufacture have reached such proportions as it has in this country. Throughout all the processes of manufacture of pulp and paper larger units prevail here than in any other country, except to the extent that American machines, ideas and methods have been appropriated elsewhere. Our pulp machines, our paper machines, and our plants are larger than in any country in the world. Thus to the conservation of our market is directly traceable the cheapening of production, resulting in lower prices, although we pay higher wages than are paid in the paper mills of any other country, two or three times those in European countries and considerably higher than in Canada.

If the duty is removed we must either force down wages in this country or transfer a large part of the industry to Canada. It would seem that this industry had justified its claim for future protection by past performance.

It has been urged that the duty should be taken off wood-pulp papers in the interest of forest preservation. There is no ground whatever for the claim that the removal of the duty would be for the benefit of our forests. Many erroneous impressions prevail on this subject. In the first place there is no duty whatever upon pulpwood. As long as we can get pulpwood free of duty there is no substantial advantage to be gained by having free paper, or even free pulp. In the second place, great as is the quantity of wood used by our mills, it is, according to the Forestry Department of the United States, less than 2% of the total annual drain upon our forests, and, according to the best estimates available, the quantity of any one species used for paper is less than the annual growth.

More wood is used for railroad ties than for pulp, and more for shingles, and vastly more for fuel. Almost every form of forest product, excepting pulpwood, is protected by a duty. If the forests are to be preserved for use, which is the doctrine of the Forestry Service of the Government, for what better purpose could the wood be used than to supply an industry which adds so great an increment to its value before it reaches the consumer in the form of a most indispensable commodity? For paper there is no known substitute; for many of the uses to which lumber and other forest products are put there are various substitutes available. Finally, if the duty were removed from paper and pulp, the manufacturers who own timber lands would be compelled to strip them, as they could not afford to continue their present conservative methods of lumbering in the face of competition with Canadian mills.

One of the reasons given in the Democratic platform for the removal of the duty from paper and pulp is the alleged existence of combinations or monopolies. It is only necessary to treat this phase of the subject in connection with newsprint, as newspaper publishers are the instigators of this charge, and they are avowedly interested only in so far as the price of news paper might be affected. In the recent congressional investigation of the paper industry, the newspaper publishers signally failed to show any combination in restraint of trade, or any other combination which in any way controlled the price or production of newsprint. The paper makers on the other hand, proved that while an advance in the price of news paper took place last year, other grades also advanced and prices went up simultaneously in the principal markets of the world. The advance in this country was shown to be due to natural causes, such as the increase in the cost of labor and pulpwood. They showed that there had been absolutely no curtailment of production, which has since been confirmed by Government statistics showing a large increase in the consumption of pulpwood in 1907 over 1906. They showed that a large number of newsprint mills were manufacturing and selling their product entirely independently of each other and that the largest producer made only 35% of the total output, whereas ten years previously it made 60%.

It was developed at the investigation also that the manufacturers of newsprint paper were not making any inordinate profit,

but, on the contrary, that most of them were securing but meagre returns. The Department of Justice also has failed to find any infraction of the anti-trust laws on the part of the newsprint paper manufacturers.

This same cry of combination and extortion raised by the newspapers has filled the ears of the public spasmodically for many years, and will probably continue to be raised, regardless of facts, as long as there is a protective tariff and free trade papers to carp at it. They have groaned under the burden of the price of paper while it has been going down from 25 cents to 2 cents a pound, and have charged restriction in production while the tonnage of newsprint paper has gone up from a few thousand tons a year to over 1,100,000 tons. Should there at any time be any ground for such complaints, assuredly the law of the land is sufficient to deal with the violators without recourse to so drastic a measure as removing protection from the whole paper industry, thus making the innocent suffer with the guilty.

Finally, it is claimed that the duty on paper is a "tax on intelligence." It is doubtful if any intelligent person on mature reflection would endorse this plea, even admitting for the sake of argument that the effect of protection is to raise the general plane of prices.

According to the census of 1905 only 18% of the total income of newspapers and periodicals was paid out for paper. Twenty per cent. increase in the price of paper would take only 3.6% additional from their income. Their receipts from advertisements were 56% of the total. Less than 7% increase in rates therefore would compensate for the extra bills for paper. It is no "tax upon intelligence" to increase the rate asked for advertising or decrease the space allotted, nor to reduce the size of newspapers by cutting out some of the sensational features. In most papers the size could be greatly reduced without crowding out any of the really valuable material which may have an educational or any other laudable influence. There is no sound excuse for publishers printing thousands of copies which are not sold but go to the junk heap, merely that they may in their strife for circulation, lay a basis for higher advertising rates, nor is there any justice in their seeking to shift the burden of this expense upon the paper manufacturers by demanding paper

so cheap that they can afford to waste a considerable percentage. But even if we could not have newspapers of the present size, style and price without driving out our paper industry; which alternative would be best for the country—a larger wage-fund or smaller papers? As Kipling says: “We must help the people to live before we help them to learn.”